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Summary record of the 10th meeting
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President: Ms. Mejía Vélez (Vice-President) ..... (Colombia)

Contents

Operational activities of the United Nations for international development cooperation (*continued*)

(a) Follow-up to policy recommendations of the General Assembly and the Council (*continued*)

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In the absence of Mr. Sajdik (Austria), Ms. Mejía Vélez (Colombia), Vice-President, took the Chair.

The meeting was called to order at 3.10 p.m.

Operational activities of the United Nations for international development cooperation (*continued*)

(a) Follow-up to policy recommendations of the General Assembly and the Council (*continued*) (A/70/62-E/2015/4)

1. **Mr. Wu** Hongbo (Under-Secretary General for Economic and Social Affairs), introducing the report of the Secretary-General on the implementation of General Assembly resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system (A/70/62-E/2015/4), said that total contributions to the United Nations development system in 2013 had amounted to $26.4 billion, while total official development assistance (ODA), as reported to the Development Assistance Committee of the Organization for Economic Cooperation and Development, had amounted to $147.1 billion. United Nations operational activities for development accounted for 17 per cent of that amount. In 2013, the United Nations development system had been the second largest channel of multilateral aid, behind the European Commission. The funding of operational activities had also become increasingly diversified, with 23 per cent of contributions in 2013 coming from multilateral organizations, global funds, and non-governmental and private sources, compared to 8 per cent in 1997. In 2014, all major funds and programmes had initiated or conducted structured dialogues with Member States on the funding of operational activities for development, as a platform for determining how the funding architecture could best be adapted to the post-2015 era.

2. With regard to capacity development and operational effectiveness, 93 per cent of countries agreed that the United Nations development system was effective in targeting the poorest and most disadvantaged. The development of national capacities was a core function of the system; in that regard, it used national experts and institutions for programme design and implementation and, to a limited extent, for procurement, financial management, monitoring and reporting. Greater use of national systems was often hindered by the limited capacity of national institutions, lack of transparency, high staff turnover and stringent donor requirements. To Governments, meanwhile, the United Nations appeared to be risk-averse and its procedures too complex. South-South cooperation had been integrated into the strategic plans of 20 agencies and into more than 80 per cent of United Nations Development Assistance Frameworks (UNDAFs). The role of the United Nations system in promoting South-South cooperation should be clarified and corresponding capacities, strategies and regulations were needed. Although 45 per cent of UNDAFs featured results on gender equality, further efforts would be needed to meet the performance standards set by the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women by 2017.

3. Of 22 United Nations entities, 15 had aligned their strategic plans with the quadrennial comprehensive policy review, and 13 had reported to their governing bodies on progress made in its implementation. Most Governments confirmed that UNDAFs ensured national ownership and leadership and led to better results. However, there was also a need to simplify agency-specific programming and reporting instruments and monitor UNDAF results in support of national development outcomes. The resident coordinator system had been strengthened by the further implementation of the management and accountability system, the cost-sharing arrangement, an improved selection process, and an updated job description. However, the funding gap in the cost-sharing arrangement had yet to be closed.

4. Programme countries were increasingly interested in the "Delivering as one" approach and the standard operating procedures for countries adopting that approach had been released. However, the implementation of the United Nations Development Group Plan of Action for Headquarters remained an ongoing task; the concept of "operating as one" was, in particular, progressing slowly. The standard operating procedures were a fresh opportunity to establish integrated business solutions, and a joint operations facility was due to open in Brazil in 2015, but there was still scope to strengthen the use of common services at the country level, which did not necessarily require the harmonization of agency-specific rules and regulations, or policies and procedures. The United Nations development system should support Governments in adopting system-wide results-based

management as part of national monitoring frameworks and statistical systems. A dedicated secretariat hosted by the Joint Inspection Unit had been established to support implementation of the independent system-wide evaluation policy adopted in 2014. The outcomes of the pilot evaluations would be reviewed under the 2016 quadrennial comprehensive policy review.

5. The United Nations development system was the preferred partner for most programme countries because of its credibility, impartiality and specialized knowledge, but it was asked to be more responsive to the changing needs of programme countries and the development cooperation environment.

Panel discussion: "How to ensure coherence in the funding of operational activities of the United Nations system for the effective realization of the post-2015 development agenda"

6. **Mr. Chanthaboury** (Observer for Lao People's Democratic Republic), Ministry of Planning and Investment, panellist, said that, in order for the United Nations development system to contribute coherently and effectively to the implementation of the post-2015 development agenda, greater flexibility was required in the allocation of non-core resources so as to enhance the core-like characteristics of non-core financing, possibly through increased use of pooled funding and a re-examination of the relationship between development and humanitarian resources. Furthermore, the integration requirements of the post-2015 development agenda would require more varied forms of financing, and the cost of supporting the normative agenda would have to be assessed. New sources of financing should also be explored.

7. Increased core resources could focus greater attention on the specific role of the United Nations development system in partnerships, lead to innovation in financing and help the system to leverage external human and financial resources. In his country's experience, pooled funding led to enhanced donor coordination, a lower risk of duplication, and higher predictability and volume of funding, with better geographical or thematic focusing of aid according to development priorities. It also allowed the establishment of more structured and integrated programmes, reduced transaction costs and increased economies of scale. Funds from donors that delegated their cooperation could be administered more flexibly and the criteria for monitoring and reporting by beneficiary organizations could be simplified.

8. Core or unrestricted aid was the most efficient way of building partnerships with programme countries such as the Lao People's Democratic Republic, and core resources provided the greatest quality, predictability and flexibility of pooled funding, ensuring that Government institutions could deliver on their multilateral mandates and provide leadership. Core resources also ensured that the United Nations development system was an independent, neutral and trusted partner. Although non-core resources complemented core resources in support of operational activities for development, they were also unpredictable and could lead to fragmentation, competition and overlapping efforts among institutions. For middle-income countries, therefore, it would be important to access a range of financial flows in the context of development cooperation support. For some countries, especially least developed countries and countries in special situations, both core and non-core ODA remained critically important and a key challenge in those countries was to rationalize the multiplicity of funding flows. In short, it would be important to determine the appropriate forms of finance for specific programmes.

9. His Government supported the efforts to achieve system-wide coherence at the country level and was committed to making the Lao People's Democratic Republic a "Delivering as one" self-starter country in a Government-driven process, as reflected in the joint formulation of an UNDAF action plan and the establishment of a United Nations joint dispensary. However, most of the "Delivering as one" initiatives were not part of a single "Delivering as one" approach, even when cost savings could have been achieved by linking them up. As a result of an agency-specific mentality, work had been done without collaboration; consequently, the same resources had been invested, but with less impact. It would be important to identify ways to link those disparate initiatives and to clarify the role of the Resident Coordinator in supporting them. More guidance would also be welcome on discussions between the Government and the United Nations system concerning expectations and requirements. Although the commitment to coordination and the reform agenda was strong among United Nations agencies at the country level, it had not to date been matched at the headquarters level.

10. **Mr. Talbot** (Observer for Guyana), panellist, said that the key theme of the post-2015 development agenda was sustainability, allied to the integration of the three dimensions of sustainable development. In that context, the connection between operational activities and other Council activities was important and the Council could act as a platform for identifying gaps and challenges in the implementation of the agenda. The sustainable development agenda was no longer located in the South and supported by the North; instead, it was universally applicable across all countries. Differentiation was important in that context and the United Nations system should therefore reflect on how it understood and responded to specific national and regional challenges.

11. One area where the United Nations system could play an important role, both in terms of funding and more generally, was that of integration. In that respect, it could serve as a thought leader, provide development models, foster an integrated sustainable development agenda and translate it into policy and operational recommendations. A better balance must be struck between core and non-core funding, since no single funding approach would meet all requirements. A need had been identified for cross-cutting entry points, for example in infrastructure, energy and agriculture as well as a social protection floor. Vertical and targeted funding would also continue to be needed. That in turn required greater flexibility in the Organization's response to differentiated national priorities. United Nations operational activities should be more demand-driven and less donor-driven. The system should therefore be loosened and resources should be pooled to address the challenge of transaction costs associated with the delivery of United Nations support in the field.

12. There was a need to revitalize capacity development and strengthen institutions. The post-2015 development agenda would require platforms to address the challenges of countries in special situations; those platforms should constitute an organic system of support connecting the various segments of the Council's work and different institutions in the United Nations system. In the case of African countries, the United Nations development system should seek to reverse the deindustrialization of Africa while ensuring a greener and more inclusive approach in the future. In the context of the more universal post-2015 development agenda, which promised to broaden cooperation platforms, the United Nations development system needed to reposition its approach to funding and leveraging financial, human and knowledge resources. The sources of solutions to sustainable development challenges were likely to multiply and, alongside South-South, North-South and triangular cooperation, Southern solutions should also be leveraged.

13. **Ms. Fladby** (Observer for Norway), Department for United Nations and Humanitarian Affairs, Ministry of Foreign Affairs, panellist, said that although the post-2015 development agenda would be broader than previous agendas, that did not mean the United Nations development system should do everything. Instead, it should focus on areas where it had a comparative advantage. Furthermore, the adoption of the sustainable development goals would not require the United Nations to do everything differently; rather, it should build on what already existed.

14. General Assembly resolution 67/226 on the quadrennial comprehensive policy review and subsequent resolutions on implementation of the review called for the enhanced use of funding modalities that fostered coherence, increased core and softly earmarked thematic contributions to individual organizations, and increased use of pooled funding mechanisms covering multiple organizations. The challenge was to ensure much greater use of those modalities in the future. In the past, the desired increase in resources and broadening of the donor base had led to greater fragmentation of funding. The United Nations development system was therefore a long way from being fit for purpose, and there was a mismatch between what Member States expected from the system and the way it was funded.

15. Core resources enabled the coherent implementation of strategic plans and the transfer of funds to programme countries, thereby reducing the need for the local resource mobilization that often led to competition between agencies at the country level. The flexibility of core resources also allowed organizations to use such funds to collaborate with others. Core funding would therefore become even more important under the new development agenda, which called for coherence and partnerships.

16. Softly earmarked thematic contributions, which were a "core-like" form of non-core finance, should match particular outcomes in organizations' strategic

plans. Unfortunately, thematic funding was little used by United Nations funds and programmes, with the exception of the United Nations Children's Fund (UNICEF). The support provided by Norway to UNICEF came with no strings attached other than the requirement that the money should be used for education as defined in the Fund's strategic plan. Other funds and programmes should establish similar types of funding windows.

17. The integrated results and resources frameworks accompanying the 2014-2017 strategic plans of the United Nations funds and programmes would enhance interconnections between priorities and funding, and the structured dialogues on funding in the executive boards were a good opportunity to discuss how core resources and earmarked funding could be used in combination.

18. In future, discussions on how to increase core contributions and softly earmarked thematic contributions should not be limited to traditional donors. Contributions should be made by countries in a position to do so, as a means of achieving better burden sharing, and non-State providers of funds should move away from strictly earmarked funding.

19. The Multi-Partner Trust Fund Office of the United Nations Development Programme administered some 100 pooled funding mechanisms. Both issue-based joint programmes and broader multi-partner trust funds could enhance coherence across United Nations development agencies, as well as between long-term development and humanitarian assistance and between the operational pillar and the peace and security pillar of the United Nations.

20. The advantages of pooled funding mechanisms included clear governance and real-time financial information. Common results frameworks were being improved and work was in progress to enhance risk management and joint auditing. Multi-partner trust funds had a role to play globally, not just in least developed countries and transition countries. Global multi-partner trust funds, such as the "Delivering Results Together" Fund, provided gap funding for joint normative work by members of United Nations country teams in "Delivering as one" countries. The support went to the One Fund in each country, with the resident coordinator, together with the Government, in charge. The One Fund ensured coherent implementation of the common priorities agreed upon with the Government. However, the amounts channelled through the One Funds appeared to be declining, not only in middle-income countries experiencing an overall reduction in support from the United Nations but across the board. Although contributions to the One Fund should ideally be non-earmarked, earmarking them at the outcome or sector level might encourage more donors to transfer funds to the One Fund rather than making them available through bilateral agreements, since bilateral donors usually had to adhere to, and document adherence to, the political priorities of their Governments. Programme countries might also consider providing support for the One Fund in place of local cost-sharing arrangements. Government support would presumably be an additional incentive for donors.

21. **Mr. Kjørven** (Director, United Nations Children's Fund (UNICEF)), discussant, said that the field of development financing was hard to navigate but rich in opportunities. However, there was still no enabling framework for channelling resources towards poverty reduction, sustainable development, emergency crisis response and the climate response the world needed. The international aid architecture was growing more complex and fragmented, with a trend towards more vertical and earmarked funding. The discussions on the post-2015 development agenda were a unique opportunity to forge a sustainable development partnership and a funding compact in which the United Nations could play a catalytic role. For that to happen, the diversity of the development finance sector should be embraced through multi-stakeholder approaches and ODA should be refocused by maximizing its leveraging role. It would also be important to define whether the optimal role of the United Nations system was to focus on assisting the most vulnerable and marginalized or on providing technical assistance, policy advice and capacity-building, and to identify the modus operandi for partnerships to unlock new resources. Funding modalities and governance were key to creating enabling conditions for the United Nations system to fulfil its various roles.

22. The current system of core funding was under stress and needed to be re-energized through innovation. The unique UNICEF model was not easily replicable. Thematic funding might be one way to increase the commitment to providing core funding in other parts of the United Nations system. Pooled funding, meanwhile, was more suited to integrated

delivery aligned with the strategic plans of funds and programmes, where the discussions on coherence and fitness for purpose could connect with the realities of partner countries. The question was whether such funds could be harmonized with the trend towards the creation of vertical funds, usually outside the United Nations system. Earmarked funding and emergency resources would still be needed, but they should be combined with core funding, striking a balance between flexibility and stability.

23. The system for funding humanitarian action was overstretched and possibly broken. It would be desirable to find an innovative financing mechanism that would create a robust social protection floor for the world's most destitute people. The charity model of pledging conferences and appeals could not continue indefinitely.

The meeting rose at 4.35 p.m.